

**RAILROAD COMMISSION OF TEXAS
LEGAL DIVISION
OIL AND GAS SECTION**

RULE 37 CASE NO. 0201577

**RE: APPLICATION OF ARCO OIL AND GAS COMPANY FOR AN EXCEPTION TO
STATEWIDE RULE 37 TO DRILL ITS MAJOR KENNEDY "B" LEASE, WELL
NO. 7, EAST TEXAS FIELD, RUSK COUNTY, TEXAS**

FINAL ORDER

The Railroad Commission of Texas has received and docketed this application for a spacing exception permit under the provisions of Statewide Rule 37 and makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. At least 10 days' notice of the hearing was given to all operators and unleased mineral interest owners of adjacent tracts on March 26, 1993.
2. ARCO Oil and Gas Company (ARCO) has applied on Form W-1 (Application for Permit to Drill, Deepen, Plug Back, or Re-Enter) to sidetrack and drill its No. 7 well, Major Kennedy "B" lease in the East Texas Field in Rusk County, Texas.
3. No person appeared at the hearing to protest the application.
4. The subject well is located in the East Texas Field.
5. The subject well is a substitute well for the existing No. 7 well on the lease.
6. Special field rules in the East Texas Field require a minimum spacing of 330 feet from the nearest lease line and 660 feet from the nearest well, and a minimum of five acres per well.
7. An exception to Statewide Rule 37 is necessary because the proposed well is located 258 feet from the south lease line, 185 feet from Well No. 14, 279 feet from Well No. 3, and 375 feet from the north line.

8. On June 24, 1957, the Railroad Commission of Texas issued a memorandum governing the issuance of certain Rule 37 exceptions in the East Texas Field. Item 5 of that memorandum states:
 5. A substitute well permit will be granted where a tract which has been developed in excess of the 5 acre density rule under valid permits issued prior to the adoption of the five-acre policy, when mechanical difficulties are encountered on an existing producing well. The substitute well must be located with the bottom hole location as close as is mechanically practical to the existing well for which it will be drilled as a substitute, such distance will generally be considered as being 50 feet. However, if a legally permitted well has been plugged and abandoned prior to the time of requesting a substitute well, then no permit can be granted unless such application is in compliance with the 5-acre density rule.
9. The Major Kennedy "B" lease was developed in excess of the five-acre density rule under valid permits issued prior to the adoption of the five-acre density policy.
10. While ARCO was pulling rods and tubing on the subject well, 700 feet of tubing dropped into the wellbore and caught in the liner. ARCO made repeated efforts to retrieve this tubing and was unsuccessful. Thus, this previously-producing well encountered mechanical difficulties which require its replacement.
11. The substitute well is proposed as a sidetrack. ARCO proposes to sidetrack the well at approximately 3,500 feet and drill approximately 250 feet of sidetrack hole. Such a sidetrack will permit a bottom-hole location as close as mechanically practical to the existing wellbore.
12. No legally permitted well has been plugged on this lease prior to this request for a substitute well.

CONCLUSIONS OF LAW

1. Proper notice of hearing was timely given to all persons entitled to notice.
2. All things have occurred and been done to give the Commission jurisdiction to decide this case.
3. The application meets the requirements of the Commission's 1957 memorandum for the permitting of a substitute well in the East Texas Field.

Therefore, under the authority of TEX. NAT. RES. CODE ANN. § 85.202 (Vernon 1978), it is **ORDERED** by the Railroad Commission of Texas that the application of ARCO Oil and Gas Company for a spacing exception permit under the provisions of Rule 37, containing 52 acres of land within the Daniel Clark Survey, for the East Texas Field, Rusk County, Texas, as shown by plat

submitted, be and is hereby **APPROVED**; and applicant is granted permission to sidetrack Well No. 7 at its present location:

258 feet from the south line and 1125 feet from the west line of lease;
375 feet from the north line and 1125 feet from the west line of survey.

CONDITIONS

1. **Fresh Water Sand Protection.** The operator must set and cement sufficient surface casing to protect all usable-quality water as defined by the Texas Water Commission. Before drilling a well, the operator must obtain a letter from the Texas Water Commission stating the depth to which water needs protection. Write: Texas Water Commission, Surface Casing, P. O. Box 13087, Austin, Texas, 78711-3087. File a copy of the Water Commission letter with the appropriate district office.
2. **Permit at Drilling Site.** A copy of the Form W-1 (Drilling Permit Application), the location plat, a copy of Statewide Rule 13 alternate surface casing setting depth approval from the district office, if applicable, and this drilling permit must be kept at the permitted well site throughout the drilling operations.
3. **Gyroscopic Survey.** A gyroscopic survey **MUST** be run prior to drilling out above the fish and at the end of the sidetracked hole. The bottom-hole location of the sidetrack **MUST** be less than 50 feet from the existing wellbore.
4. **Easterly Orientation.** The sidetrack **MUST** be drilled in an easterly direction so that the wellbore is directed towards a more regular location.
5. **Notification of Setting Casing.** The operator **MUST** call in notification to the appropriate district office a minimum of eight (8) hours prior to the setting of surface casing, intermediate casing, **AND** production casing. The individual giving notification **MUST** be able to advise the district office of the docket number.
6. **Producing Well.** Statewide Rule 16 requires that the operator submit a Form W-2 (oil well) or Form G-1 (gas well) to the appropriate Commission district office within thirty (30) days after completion of such well. Completion of the well in a field authorized by this order voids the order for all other fields included in the order unless the operator indicates on the initial completion report that the well is to be a dual or multiple completion and promptly submits an application for multiple completion. All zones are required to be completed before the expiration date of this order.
7. **Dry or Noncommercial Hole.** Statewide Rule 14(b)(2) prohibits suspension of operations on each dry or noncommercial well without plugging unless the hole is cased and the casing

is cemented in compliance with Commission rules. If properly cased, Statewide Rule 14(b)(2) requires that plugging operations must begin within a period of one (1) year after drilling or operations have ceased. Plugging operations must proceed with due diligence until completed. An extension to the one-year plugging requirement may be granted under the provisions stated in Statewide Rule 14(b)(2).

8. **Intention to Plug.** The operator must file a Form W-3A (Notice of Intention to Plug and Abandon) with the district office at least five (5) days prior to beginning plugging operations. If, however, a drilling rig is already at work on location and ready to begin plugging operations, the district director or the director's delegate may waive this requirement upon request, and verbally approve the proposed plugging procedures.
9. **Notification of Plugging a Dry Hole.** The operator **MUST** call to notify the appropriate district office a minimum of four (4) hours prior to beginning plugging operations. The individual giving notification **MUST** be able to advise the district office of the docket number and all water protection depths for that location as stated in the Water Commission letter.
10. **Plugged Wells.** Should this well ever be plugged and abandoned, the Commission will consider such plugging and abandonment as prima facie evidence that production from said well is no longer necessary to prevent confiscation of applicant's property or to prevent waste; and upon such plugging and abandonment, the authority for such well as granted under this permit shall cease.
11. **Permit Expiration.** This permit expires two (2) years from the date this order becomes administratively final, unless actual drilling operations have begun. The permit period will not be extended.
12. It is further ordered by the Commission that this order shall not be final until twenty days after it is actually mailed to the parties by the Commission; provided that if a motion for rehearing of the application is filed by any party at interest within such twenty-day period, this order shall not become final until such motion is overruled, or if such motion be granted, this order shall be subject to further action by the Commission.

Done this _____ day of _____, 1993.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN

COMMISSIONER

COMMISSIONER

ATTEST:

SECRETARY